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Mark A. Kaiser
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M E M O R A N D U M

TO: Agency Payroll and Personnel Officers
FROM: Division of Accounting
DATE: March 2, 2009
RE: Making Work Pay Credit

The American Recovery and Reinvestment Act of 2009 includes a Making Work Pay credit provision. Available for tax years 2009 and 2010, the Making Work Pay credit is 6.2 percent of a taxpayer's earned income with a maximum credit of \$800 for a married couple filing a joint return and \$400 for other taxpayers, but it is phased out for higher income taxpayers. Most workers will qualify for the maximum credit.

Employees will notice the automatic withholding change on their March 31st pay check.

Eligible workers will receive the benefit of this change without any action on their part. This means that workers **do not** need to fill out a new W-4 withholding form to get the Making Work Pay credit reflected in their take-home pay; the withholding change will be automatic. Individuals and couples with multiple jobs **may** want to submit revised Form W-4 forms to ensure enough withholding is held to cover the tax for the combined income. IRS Publication 919 provides additional guidance for tax withholding.

Should an employee wish to revise their W-4 with the first available pay date, the revised W-4 information must be received and entered into SAMII HR prior to running payroll on March 23, 2009. Reminder: The effective date in the top section of the TAX window is based on check date and NOT pay period date. For example, an effective date of 03/16/09 will be effective for any checks dated 03/31/09 and after.

Though all eligible taxpayers will need to claim the credit when they file their 2009 income tax return next year, the benefit will generally be spread out over the paychecks they receive March 31, 2009 through December 31, 2009.

Many higher-income taxpayers will see little or no change in their take-home pay. That's because the Making Work Pay credit is phased out for a married couple filing a joint return whose modified adjusted gross income (AGI) is between \$150,000 and \$190,000 and other taxpayers whose modified AGI is between \$75,000 and \$95,000.

Taxpayers **will not** get a separate, special check mailed to them from the IRS like last year's economic stimulus payment